

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 93-518-C - ORDER NO. 94-54 *lc*  
JANUARY 27, 1994

IN RE: Request of Home Telephone Company, Inc.	) ORDER
for Approval of an Optional Expanded	) APPROVING
Calling Plan called Trident Local	) TRIDENT
Calling Service.	) LOCAL
	) CALLING
	) PLAN

This matter is before the Public Service Commission of South Carolina (the Commission) by way of Home Telephone Company, Inc.'s (Home's or the Company's) Application to Introduce a New Optional Local Exchange Service called Trident Local Calling (TLC). Home's Application was filed on August 20, 1993.

By letter dated August 24, 1993, the Commission's Executive Director instructed Home to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the areas affected by the Application. The Notice of Filing indicated the nature of Home's Application and advised all interested parties of the manner and time in which to file the appropriate pleadings. Home submitted affidavits indicating that it had complied with these instructions. Petitions to Intervene were filed by AT&T Communications of the Southern States, Inc. (AT&T), the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and Eugene Vasilew.

On November 3, 1993, a public hearing concerning the matters asserted in the Company's Application was held in the Commission's Hearing Room. The Honorable Henry G. Yonce, Chairman, presided. The Company was represented by M. John Bowen, Jr., Esquire; Mr. Vasilew appeared pro se; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; AT&T was represented by Francis P. Mood, Esquire; and the Commission Staff (the Staff) was represented by Gayle B. Nichols, Staff Counsel.

After thorough consideration of the evidence of record and the applicable law, the Commission issues the following findings of facts and conclusions of law.

#### FINDINGS OF FACT

1. Keith Oliver testified on behalf of Home. He explained that in 1904, Home began providing local exchange service for customers in Berkeley,<sup>1</sup> Dorchester, and Orangeburg Counties, and since 1983, Home's number of subscribers has increased by 59%. Currently, Home serves approximately 15,500 customers in Berkeley, Dorchester, and Orangeburg Counties. Customer growth has led to increased long-distance toll calling to those service areas which surround Home's service area and which are in the Charleston or Coastal Local Access Transport Area (LATA). Specifically, from March 1988 to August 1993, the toll calling from Home's exchanges to the Charleston area increased by 116%. TR. Vol. 1, pp. 13-15.

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1. Four local exchange companies (LECs), United Telephone Company, St. Stephen Telephone Company, GTE, and McClellanville Telephone Company, serve portions of Berkeley County.

2. According to Mr. Oliver, the average Home customer's bill for intraLATA service is \$17.50 per month. The average intraLATA bill for customers who reside in major metropolitan areas of South Carolina is \$2.00 to \$3.00 per month. TR. Vol. 1, p. 15.

3. Mr. Oliver testified that during the past seven (7) years, Home's customers have petitioned the Company and this Commission for an expanded local calling area. TR. Vol. 1, p. 15, p. 115, Vol. 2, p. 92. In 1987, the Commission considered and denied a request for Extended Area Service (EAS)<sup>2</sup> from Moncks Corner, the county seat of Berkeley County, to the Charleston area.<sup>3</sup> The Commission denied the EAS request because of a lack of support from the Charleston customers. The Commission, however, ordered Home to offer an optional Saver Service Plan. Twenty-five percent (25%) of Home's customers subscribe to this Saver Service Plan. Under Saver Service, Home's customers have saved \$2.8 million in intraLATA toll charges.<sup>4</sup> However, because Home's subscribers are placing more calls to the Trident area, which

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2. Generally, an EAS request extends the local calling area between a small community to a larger urban community. If approved, all telephone customers in both communities pay a flat rate for the ability to place telephone calls between the communities. Typically, telephone subscribers in the larger community vote against the EAS request. TR. Vol. 2, p. 91-92.

3. Charleston's local telephone service is provided by Southern Bell.

4. Saver Service is an optional plan which provides discounts on calls originated and terminated within the Coastal LATA. A flat-rated adder is charged for the discounted measured toll service (MTS) rate.

includes Charleston, Dorchester, and Berkeley Counties, their total bill continues to increase. TR. Vol. 1, p. 16, p. 27.

4. Mr. Oliver explained that Home has proposed its current TLC Plan in order to assist the customers and communities it serves to remain economically viable. Home asserts that the "dynamic growth that has occurred in Berkeley, Charleston, and Dorchester Counties over the last several decades has economically tied them together and they are often referred to as the Tri-County or Trident area. The Trident Chamber of Commerce promotes the collective economic ties of the three counties." TR. Vol. 1, p. 17, lines 4-8. Mr. Oliver noted that the Trident area is recognized as a Metropolitan Statistical Area for business and governmental purposes. He contends that the TLC Plan is a means to reduce the toll barriers between its own communities and the majority of the population in the Trident area. TR. Vol. 1, p. 17.

5. As explained by Mr. Oliver, the proposed TLC Plan is an optional calling service, which allows Home's customers to continue their current service such as Saver Service, or select among options that best suit their Trident area calling needs to reduce or eliminate toll charges from Home's service area to Tri-County telephone numbers within the Coastal LATA. By use of seven digit dialing, as opposed to 1+ dialing, customers choosing the TLC Plan can reach the following exchanges: Charleston, Summerville, Bonneau, St. Stephen, Pineville, Mount Pleasant, Isle of Palms, Sullivan's Island, Folly Beach, Awendaw, McClellanville,

Edisto Beach, and Hollywood.<sup>5</sup>

Residential customers may select a flat rate option of \$35.00/month, which includes the present non-measured basic local service rate, for unlimited calling to each of the above-listed exchanges. Both residential and business subscribers may select a variable rate option under which they would pay \$.11 per minute (which is an approximate 50% discount from the current toll rate) for standard day-time calls and \$.055 per minute for calls made between 8 p.m. and 8 a.m., or on weekends or holidays. Under this option, residential customers would pay the basic local rate plus \$3.00/month and business customers would pay the basic local rate plus \$8.00/month.<sup>6</sup>

6. Mr. Oliver testified that Home studied each of its customers' usage to identify which of its subscribers would benefit from the TLC Plan. From its study, Home determined that approximately 65% of its customers would benefit from the TLC Plan. Home determined that at least 2,100 residential customers will benefit from the flat rate option, saving an average of \$20.00 per month; over 5,300 residential customers will benefit from the \$.11 per minute option, saving an average of \$3.00 per month. Home anticipates that residential bills would decrease by \$725,000 per month and business bills would decrease by \$175,000

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5. These exchanges are served by four LECs, Southern Bell, GTE, St. Stephen Telephone Company, and McClellanville Telephone Company.

6. In addition, there are three other options available to business customers under the TLC Plan.

per month. TR. Vol. 1, p. 22-28.

Because of its optional nature, those customers who would not benefit from the TLC Plan would not be required to participate in the Plan. Home notes that the optional nature of the Plan is an improvement over EAS plans where all subscribers are required to pay for the extended service whether or not they place calls to the extended local service area. TR. Vol. 1, p. 23.

Home testified that the TLC Plan was structured to be self-supporting so that local rates would not be adversely affected. Based upon calculations by an independent consultant, the Plan produces an annual shortfall of \$36,000 which Home considers "to be for all practical purposes, revenue neutral." TR. Vol. 1, p. 23, lines 14-20.

7. Elaine Morgan, Executive Director of the Berkeley County Chamber of Commerce, testified that long distance toll calling to Charleston and Dorchester Counties has been a deterrent for businesses in Berkeley County. Ms. Morgan testified she supports the TLC Plan. TR. Vol. 1, p. 7.

Allen Morris, publisher of The Berkeley Independent, a county newspaper, testified that he places calls throughout Berkeley County and in the Tri-County area where his readers reside. Mr. Morris explained that it is frustrating and costly to do business in an area with numerous telephone companies. Mr. Morris testified that he supports the TLC Plan.

8. Intervenor Eugene Vasilew, a Home customer, testified in support of the TLC Plan. Mr. Vasilew explained that, for years,

residents of Berkeley County have attempted to obtain a system which allows them to place "what is normally thought of as a local call without toll charges." TR. Vol. 1, p. 117, lines 2-9. He explained that because of the configuration of the telecommunications system in Berkeley County, "ordinary" telephone calls made to doctors and service stations turn out to be unexpected toll calls. Mr. Vasilew testified that "it [the Tri-County area] is a community that is integrated but where there were [are] arbitrary separations by exchanges and so everybody had to pay very high charges." TR. Vol. 1, p. 117, lines 21-24. On cross-examination, Mr. Vasilew testified that the price of a service was not the only factor a customer considers in selecting a carrier. TR. Vol. 1, p. 120-121.

9. Commission Staff witness Gary E. Walsh testified that the TLC Plan will relieve the continuing pressure for Extended Area Service. He testified that because TLC is an optional feature, the Plan would provide the benefits of EAS without placing a financial hardship on those customers who do not desire extended area service. TR. Vol. 2, p. 96.

Mr. Walsh testified that the TLC was filed as a local service plan. He testified that there are currently three (3) other similar plans filed by LECs which have been approved by the Commission. TR. Vol. 2, p. 94, p. 102.

Mr. Walsh testified that the Commission received 35 letters in support of the TLC Plan, a 78-signature petition in support of the Plan, and in excess of 50 telephone calls supporting the Plan.

He recommended that the Commission approve the TLC Plan. TR. Vol. 2, p. 93-94; p. 95.

10. Although the Consumer Advocate did not sponsor a witness in this proceeding, it filed a post-hearing brief fully endorsing approval of the TLC Plan.

11. Mike Guedel, Manager-Network Services Division, testified on behalf of AT&T. Mr. Guedel testified that AT&T would not oppose Home's TLC Plan so long as AT&T is not "precluded from competing in that [TLC] market due to discriminatory pricing or provisioning of the underlying access service." TR. Vol. 2, p. 4, lines 18-21. Mr. Guedel explained that because of arrangements made with other LECs, Home can complete calls into another LEC's service area and only pay the traffic sensitive portion of access charges to the terminating company. AT&T asserts that interexchange carriers such as itself do have to pay the carrier common line charge (CCLC) to the terminating company and, therefore, cannot compete with Home's TLC offering. Mr. Guedel argues that Home's TLC Plan effectively negates the interexchange carrier's ability to compete with Home for intraLATA traffic.<sup>7</sup> Mr. Guedel contends that if the Commission approves the TLC Plan "then it should simultaneously order all local exchange companies to cease billing CCLC charges (both originating and terminating)

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7. On June 3, 1993, in Order No. 93-462, the Commission approved intraLATA competition through 10XXX dialing in South Carolina.



currently applicable to toll intraLATA traffic."<sup>8</sup> TR. Vol. 2, p. 19, lines 14-17.

#### CONCLUSIONS OF LAW

1. The Commission concludes that the TLC Plan should be approved as filed. It is clear from the testimony of record that, over time, the Trident area has become an integrated community which is separated by toll borders. Under the current tariffs filed with this Commission, many calls made from Home's Berkeley County customers to Dorchester and Charleston Counties are local in nature but result in toll charges. The Commission concludes that the TLC Plan remedies this situation by allowing Plan subscribers to place local calls within the Trident area without incurring toll charges.

2. Moreover, the Commission has the authority to consider and approve the classification of telephone calls as either local or toll. S.C. Code Ann. §58-3-140(A)(Supp. 1993) specifies that this Commission is "vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State and to fix just and reasonable standards, classifications... to be furnished, imposed or observed, and followed by every public utility in this State." S.C. Code Ann. §58-3-140(A)(Supp. 1993)(emphasis added).

More specifically, although telephone utilities may not grant

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8. This reduction in charges would apply to calls that involve the use of switched access on both originating and terminating ends of the call.

unreasonable preferences or advantages, "[s]ubject to the approval of the Commission, ..., telephone utilities may establish classifications of rates and services and such classifications may take into account the conditions and circumstances surrounding the service, such as the time when used, the purpose for which used, the demand upon plant facilities, the value of the service rendered or any other reasonable consideration. The Commission may determine any question arising under this section." S.C. Code Ann. §58-9-250 (1976) (emphasis added). In approving EAS requests, the Commission has used this discretion to reclassify 1+ calls as local.

In addition, AT&T has specifically agreed that those offerings which are filed under the toll sections of the General Subscriber Service Tariff (GSST) are toll services. See Exhibit B to May 10, 1993 Stipulation and Agreement on IntraLATA Competition attached to Order No. 93-462 (June 3, 1993). Here, Home filed its TLC Plan under the local, rather than toll, section of its GSST. Consequently, with Commission approval as granted herein, the TLC Plan is a local service.

3. Further, the Commission finds no merit in AT&T's argument that it will not be able to compete against the TLC Plan for intraLATA traffic. While Home's cost to originate and terminate calls under the Plan may be less than AT&T's cost to originate and terminate the same calls, the Commission does not conclude that the rate Home or AT&T charge for the service is the only factor considered by customers in selecting a carrier.

4. Moreover, the TLC Plan does not prohibit AT&T from competing for intraLATA service because the Plan is not a LATA-wide service. Consequently, all Home customers must still select an interexchange carrier to complete intraLATA calls which are not originated and terminated within Berkeley, Dorchester, and Charleston Counties. Furthermore, Home customers who do elect to participate in the TLC Plan can still access AT&T or any other interexchange carrier to carry a call within the Trident area.

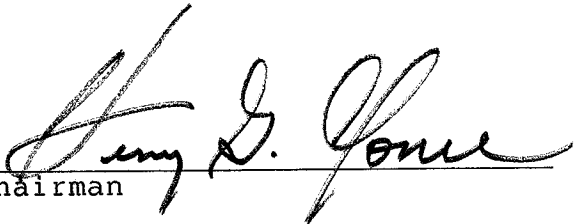
5. Finally, the Commission concludes that the TLC Plan will benefit Home's customers. Because of its optional nature, the Plan will benefit those customers who choose to participate in the Plan without burdening those customers who do not desire to participate with increased rates. According to its studies, Home's subscribers' bills for intraLATA service will be reduced by approximately \$850,000 and will result in bills which will be comparable to the bills of customers who reside in metropolitan areas of the State.

6. Based on the above reasoning and analysis, the Commission hereby approves the TLC Plan as filed. Home shall

maintain records which show the revenue impact of the TLC Plan and of its participation in the Area Calling Plan Principles Agreement.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)

Commissioner Maybank (concurring): This matter came before the Commission upon a Tariff filing by Home Telephone Company to introduce the Trident Local Calling Service. With one exception, all sides-- Home Telephone, the P.S.C. Commission Staff and the intervenor AT&T Communications of the Southern States, Inc. --testified in support of the Plan. AT&T took exception, however, to the access charges which Home Telephone intended to charge AT&T and other interexchange carriers for the completion of a long distance telephone call.

High access charges pose a number of evils. (And there was testimony in the record that access charges in South Carolina are among the highest in the nation.) Traditionally, high access charges have been justified as an appropriate subsidy to lower the cost of local calls. This reflects the antiquated view that long distance use is a "luxury." As such, owners of small business who are required to use long distance as part of their business, but who are not large enough to qualify for a dedicated line, have been principally burdened with this expense. I question whether there is justification in the modern age of shouldering the owner of a small business with this form is subsidy.

High access charges also unquestionably stifle competition. There was testimony in the record to indicate that AT&T could not possibly compete for certain long distance traffic in Home's territory under the subject tariff. Few question the benefits which competition produces, and in any event this Commission has

approved an agreement for the purpose of fostering intraLATA competition.

Lastly, high access charges will stifle the coming "information highway" in South Carolina. There is no doubt that states which have the lowest access charges will enjoy the greatest benefits of the information highway, and at an earlier time. States with high access charges will suffer, and principally in the critical areas of economic development and education.

Notwithstanding my serious concerns over high access charges in South Carolina and over the access charges contained in this particular tariff, I voted with the majority to approve the tariff. I did so because of the lack of evidence contained in this record that (1) Home's Tariff Filing requires long distance users to unfairly subsidize local traffic; (2) that its access charges were inflated or do not otherwise correspond with the actual cost of providing long distance service; or (3) that its access charges were priced for the ulterior purpose of stifling competition. Indeed, AT&T's own witness refused to make any such charges. Given that ample discovery took place in this docket, and that the case was aggressively litigated by lawyers for the intervenor and the Department of Consumer Affairs, it may be presumed that no such evidence existed.

AT&T also made an appealing argument that it be allowed to enjoy the benefits of an Area Calling Plan Principals Agreement entered into by Home and all other local exchange companies in South Carolina. (This agreement reduced certain access charges for its signatories.) In the absence of proof of the elements outlined above I do not find sufficient justification to reject Home's Tariff Filing on the grounds that AT&T was not allowed to become a signatory to this Agreement.